

Message Text

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SUBJECT: EC/PORTUGUESE TRADE NEGOTIATIONS

REFS: (A) EC BRUSSELS 1491, (B) 75 EC BRUSSELS 9143

1. BEGIN SUMMARY: THE OPENING ROUND OF THE EC/PORTUGUESE TRADE NEGOTIATIONS WAS CONDUCTED IN A CONSTRUCTIVE ATMOSPHERE AND OUR SOURCES ARE ENCOURAGED. THE NEXT PLENARY SESSION IS SHCHEDULED FOR MARCH 15 PRECEDED BY SEVERAL TECHNICAL LEVEL MEETINGS. THE EC FOREIGN MINISTERS COUNCIL WILL TAKE UP THE QUESTION ON APRIL 5-6 AND COMMISSION SOURCES REMAIN HOPEFUL THAN AN AGREEMENT CAN BE ANNOUNCED PRIOR TO THE APRIL 25 PORTUGUESE ELECTIONS. NEGOTIATION OF THE FINANCIAL PROTOCOL WILL TAKE LONGER. END SUMMARY.

2. THE FIRST ROUND OF EC/PORTUGUESE NEGOTIATIONS TO IMPROVE AND EXTEND THE 1973 TRADE AGREEMENT WAS CONCLUDED IN BRUSSELS ON FEBRUARY 13. PERM REP AND EC COMMISSION SOURCES ARE QUITE PLEASED WITH THE OUTCOME. THE FORMAT INCLUDED A RATHER STRAIGHTFORWARD PRESENTATION BY DE KERGORLAY, COMMISSION DEPUTY DIRECTOR GENERAL FOR EXTERNAL RELATIONS, OF THE EC'S
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MANDATE (REFTEL A). THIS WAS FOLLOWED BY A LONG PRESENTATION BY AMBASSADOR DE SIQUEIRA FREIRE WHO HEADED THE PORTUGUESE

DELEGATION. OUR SOURCES INDICATE THAT BY AND LARGE THE PORTUGUESE PRESENTATION WAS FAIRLY UNCRITICAL. EXCEPTIONS PREDICTABLY INCLUDED TEXTILES, WINE AND FISH, IN WHICH AREAS THE PORTUGUESE HOPE IMPROVEMENTS CAN BE MADE.

3. THE NEXT PLENARY SESSION IS SCHEDULED FOR MARCH 15, WHICH WOULD INDICATE THAT PORTUGA WOULD NOT BE CONSIDERED IN ANY DEPTH IF AT ALL AT THE MARCH 1 AND 2 EC FOREIGN MINISTERS COUNCIL SESSION. IT SHOULD, HOWEVER, BE A MAJOR ITEM AT THE FOREIGN MINISTERS MEETING ON APRIL 5-6. COMMISSION SOURCES ARE HOPEFUL THAT THE NEGOTIATIONS CAN BE COMPLETED BEFORE THE APRIL 25 PORTUGUESE ELECTIONS.

4. PRIOR TO THE MARCH 15 MEETING THERE WILL BE SEVERAL TECHNICAL MEETINGS TO EXAMINE THE ISSUE OF TRANSFERRING CERTAIN INDUSTRIAL PRODUCTS COVERED BY THE 1973 AGREEMENT FROM LIST A (ZERO DUTY BY 1980) TO LIST B (ZERO DUTY BY 1985) AS WELL AS THE PORTUGUESE REQUEST THAT THE PROTECTIVE CLAUSE FOR INFANT INDUSTRIES BE EXTENDED TO INCLUDE ALREADY ESTABLISHED ENTERPRISES.

5. A UK PERM DEL SOURCE CONSIDERS THAT THE MOST IMPORTANT OF THE TECHNICAL MEETINGS WILL BE A TRIANGULAR AFFAIR AT WHICH THE COMMISSION, THE PORTUGUESE AND THE UK WILL BE REPRESENTED TO DISCUSS THE THORNY TEXTILE ISSUE. THIS IS SCHEDULED FOR FEBRUARY 25 OR 26, IMMEDIATELY PRECEDING AN ARTICLE 113 MEETING ON FEBRUARY 27 AT WHICH THE COMMUNITY WILL TAKE ITS FIRST REALLY HARD LOOK AT THE PORTUGUESE PROPOSALS.

6. IN COMMENTING ON THE LIKELIHOOD OF GETTING AGREEMENT BEFORE THE PORTUGUESE ELECTIONS, OUR SOURCES INDICATE IT WILL REALLY DEPEND ON THE PORTUGUESE. IF THEY INSIST ON A MUCH BETTER DEAL FOR WINE, THEY WILL MEET STRONG FRENCH RESISTANCE. IF THEY WANT TO IMPROVE THE SECTION ON SOCIAL SECURITY AND MANPOWER, THE GERMANS ARE APT TO OBJECT. A UK SOURCE HAS TOLD US THAT HMG'S NEGOTIATING LEEWAY IN THE TEXTILE SECTOR IS VERY LIMITED INDEED.

7. ALL THE ABOVE DISCUSSION ON TIMING REFERS ONLY TO THE LIMITED OFFICIAL USE
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TRADE AGREEMENT PORTIONS OF THE NEGOTIATION WITH PORTUGAL.
THE FINANCIAL PROTOCOL WILL TAKE LONGER.

8. ONE SOURCE HAS TOLD US THAT IN A CAUCUS OF THE EC-NINE BETWEEN SESSIONS WITH THE PORTUGUESE ON FEBRUARY 13 DE KERGORLAY RECALLED THAT FOREIGN MINISTER ANTUNES HAD REQUESTED AT THE EC COUNCIL MEETING IN LUXEMBOURG ON OCTOBER 7, 1975 THAT THE COMMON EXTERNAL TARIFF, NOW SCHEDULED TO BE REDUCED TO ZERO FOR PORTUGUESE INDUSTRIAL PRODUCTS BY JULY 1, 1977 BE ELIMINATED BY JANUARY 1, 1976. DE KERGORLAY NOTED THAT

IN OCTOBER THE COMMUNITY REACTION TO THIS HAD BEEN HIGHLY
NEGATIVE BUT HE WONDERED IF THE COMMUNITY SHOULD NOT NOW TAKE
ANOTHER LOOK AT IT. SINCE THE EC TARIFFS ON PORTUGUESE
INDUSTRIAL PRODUCTS WILL DISAPPEAR SO SOON ANYWAY, HE THOUGHT
THE LOSS TO THE COMMUNITY IN ECONOMIC TERMS OF ACCELERAT-
ING THEIR REMOVAL WOULD BE MINIMAL. FURTHERMORE, IT WOULD
BE THE KIND OF GESTURE THAT COULD BE MORE EASILY UNDERSTOOD
BY THE PORTUGUESE MAN IN THE STREET THAN SOME OF THE MORE
ESOTERIC ITEMS ON THE TABLE. THUS THE COMMUNITYMIGHT GET
A RELATIVELY LARGE POLITICAL PAYOFF AT A RELATIVELY LOW COST.
THE COMMISSION SERVICES ARE EXAMINING THIS QUESTION.HINTON

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